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DIRECTORATE OF INTELLIGENCE

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## Central Intelligence Bulletin

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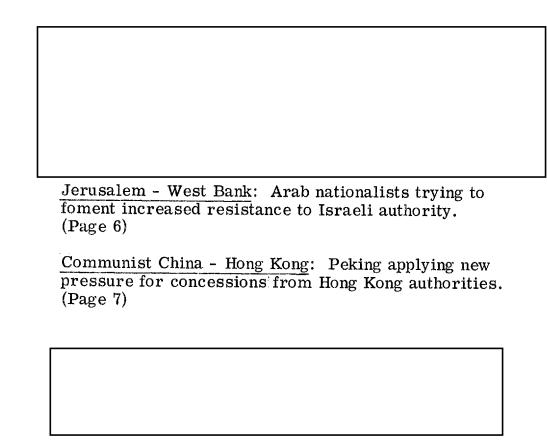
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Jerusalem - West Bank: Arab nationalist elements on the West Bank are trying to foment increased resistance to Israeli authority.

Radical Arab nationalist elements, possibly instigated by Damascus, have passed out leaflets in Jerusalem calling for another general strike today. Jordanian authorities are looking with disfavor on these activities, since they feel that they give Israel an excuse not to accept returning refugees. Amman radio has toned down its broadcasts reporting West Bank dissidence.

Meanwhile, the refugee return has gotten off to a slow start despite the Israeli-imposed 31 August deadline. The Red Cross reports that out of 175,000 refugees wanting to come back, only 303 crossed on 18 August—the first day for return.

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Communist China - Hong Kong: Peking is applying new pressure on the British in an effort to extract concessions from the Hong Kong authorities.

A note handed to the British chargé on 20 August demanded that a ban imposed on three pro-Communist newspapers in the colony four days ago be lifted and that 53 newsmen under arrest be released within 48 hours. The note declared that if this is not done, the British will be held responsible for "all the serious consequences arising therefrom."

The British will probably reject this note--the toughest Peking has delivered thus far. Colonial officials refused to knuckle under last May when the Chinese made similar formal demands which if accepted would have amounted to a de facto surrender of authority to the Communist apparatus in Hong Kong.

Peking probably calculates, however, that the British will make some gesture that the Chinese can claim is a capitulation to their demands. They would hope that this would boost the sagging morale of Communist organizations in the colony--which Chinese Communist propaganda asserts must carry the main burden in 'liberating' Hong Kong.

In any case, there will probably be an adverse effect on the colony's economy. Although the major manufacturing industries have not suffered, recent events have severely shaken the confidence of the business community. There has been a significant flow of capital from the colony since May and this is expected to continue.

American and Japanese businessmen, who have been largely responsible for developing new industries in recent years, are expressing serious reservations about any further investment in Hong Kong.

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